



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20350

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NAFC-44
05 June 1990

SECNAV INSTRUCTION 5381.5A

From: Secretary of the Navy

Subj: FINANCIAL INSTITUTIONS ON NAVY AND MARINE CORPS INSTALLATIONS

Encl: (1) Financial Institutions on Navy and Marine Corps
Installations

1. Purpose. To update policies, procedures, and guidelines for banking offices on Navy and Marine Corps installations, and for credit unions serving Navy and Marine Corps personnel.
2. Cancellation. SECNAVINST 5381.5.
3. Scope. The Department of Defense (DOD) has prescribed policies governing the establishment, operation, and termination of financial institutions on military installations and has provided procedural guidance to supplement those policies. Enclosure (1) of this instruction implements those policies and procedures, establishes responsibility and authority within the Department of the Navy, and is applicable to all Navy and Marine Corps installations.
4. Notification. Installation commanders will ensure that a copy of this instruction is provided to all onbase financial institutions as well as your banking/credit union liaison officer.
5. Reports. The reporting requirements contained in enclosure (1) are exempt from reports control by SECNAVINST 5214.2B.

Distribution:
(See next page)

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SECNAVINST 5381.5A

05 JUN 1990

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05 JUN 1990

TABLE OF CONTENTS

<u>Subject</u>	<u>Paragraph</u>	<u>Pages</u>
Background	1	1
Definitions	2	1-5
Responsibilities	3	5-9
Policies	4	9-14
Banks		
Domestic	5	14-31
Establishment	5.a	14
Logistic and Other Support	5.b	18
Operations	5.c	25
Termination	5.d	30
Overseas	6	31-38
Establishment	6.a	31
Logistic and Other Support	6.b	34
Operations	6.c	35
Termination	6.d	38
Credit Unions		
Domestic	7	39-48
Establishment	7.a	39
Logistic and Other Support	7.b	40
Operations	7.c	44
Termination	7.d	47
Overseas	8	48-51
Establishment	8.a	48
Logistic and Other Support	8.b	49
Operations	8.c	49
Termination	8.d	51
Privacy Act Guidelines		Appendix A

05 JUN 1990

FINANCIAL INSTITUTIONS ON
NAVY AND MARINE CORPS INSTALLATIONS

- Ref:
- (a) DOD Directive 1000.11 of 26 Jul 89, subj: Financial Institutions on DOD Installations (NOTAL)
 - (b) DOD Instruction 1000.12 of 26 Jul 89, subj: Procedures Governing Banking Offices on DOD Installations (NOTAL)
 - (c) DOD Instruction 1000.10 of 26 Jul 89, subj: Procedures Governing Credit Unions on DOD Installations (NOTAL)
 - (d) SECNAVINST 5370.2J
 - (e) SECNAVINST 1740.2D
 - (f) NAVCOMPT Manual, Vol. 3, Chapter 5
 - (g) NAVCOMPT Manual, Vol. 4, Chapter 2
 - (h) SECNAVINST 11011.47 (NOTAL)
 - (i) OPNAVINST 5354.1C
 - (j) OPNAVINST 5112.5A
 - (k) NAVCOMPTINST 7820.9 (NOTAL)

Appendix A - Guidelines for Application of the Privacy Act to
the Financial Institutions on DOD Installations

1. Background. Reference (a) contains policies governing the establishment, operation, and termination of financial institutions on military installations. References (b) and (c) contain procedures applicable to these financial institutions.

2. Definition and Explanation of Terms

a. Automated Teller Machine (ATM). An electronic machine that dispenses cash, accepts deposits, and transfers funds among a customer's various accounts. Equipment generally is activated by a plastic debit card in combination with pushbuttons and a personal identification number (PIN). Shared access to ATMs refers to the customer's ability to use the ATM of more than one cooperating institution. (R

b. Bank/Credit Union Liaison Officer. A commissioned officer or Department of the Navy civilian employee of equivalent grade appointed by an installation (military community) commander to work with officials of the servicing financial institutions and its clients. A noncommissioned officer may be appointed if he or she is the senior financial management official at the installation.

Enclosure (1)

05 JUN 1990

c. Banking Facility. A banking office located on a military installation and operated by a banking institution that the Treasury Department has specifically authorized, under its designation as a "depository and financial agent of the U.S. Government," to provide certain banking services at the installation. Such offices may be either self-sustaining or nonself-sustaining. Also known as a military (or community) banking facility.

d. Banking Institution. The organization that is chartered to operate a banking office on a DOD installation. For purposes of this instruction, the term also includes savings associations as defined here.

e. Banking Office. A banking facility, branch bank, or independent bank operated by a banking institution on a military installation. Also includes savings associations and their branches operated on a military installation.

f. Branch Bank. A separate unit chartered to operate at an on-base location geographically remote from its parent banking institution.

g. Credit Union. A cooperative nonprofit association, incorporated under the Federal Credit Union Act, 12 U.S.C. 1751 et seq., or similar state statute, for the purposes of encouraging thrift among its members and creating a source of credit at a fair and reasonable rate of interest.

h. Credit Union Branch. A subsidiary office of an existing full-service credit union.

i. Credit Union Facility. A facility employing a communications system with the parent credit union to conduct business at remote locations where a full-service credit union or credit union branch is impractical. Credit union facilities need not provide cash transaction services, but must disburse loans and shares via check or draft and provide competent financial counseling during normal working hours.

j. Defense Credit Union. A state or federally chartered credit union with a field of membership composed primarily of DOD personnel.

k. Discrimination. Any differential treatment in provision of services, including loan services, by a financial institution to DOD personnel and their dependents on the basis of race, color, religion,

05 JUN 1990

national origin, sex, marital status, age, rank, or grade. However, if uniformly applied, the amount of credit extended may be directly based upon an applicant's total income.

l. DOD Personnel. All military personnel; civil service employees; other civilian employees, including special Government employees of all offices, agencies, and departments performing functions on a military installation (including nonappropriated fund instrumentalities); and their dependents. On domestic military installations, retired U.S. military personnel and their dependents are included.

m. Domestic DOD Installation. A military installation located within a state of the United States, the District of Columbia, or the Commonwealth of Puerto Rico.

n. Fair Market Rental. A reasonable charge for onbase land, buildings, or building space (i.e., property). Rent is determined by a Government appraisal, based on comparable properties in the local civilian economy. However, the appraiser shall consider that onbase property may not always be comparable to similar property in the local commercial geographic area: for example, limitation of usage and access to the financial institution by persons other than those on the installation, proximity to the community center or installation business district, the Government's right to terminate the lease or take title to improvements constructed at the financial institution's expense, and the limited consumer environment of a military installation.

o. Federal Credit Union. A credit union established and operated under authority granted by the Federal Credit Union Act, 12 U.S.C. 1751 et seq., and chartered, supervised, and periodically examined by the National Credit Union Administration.

p. Field of Membership. The group of people entitled to credit union membership because of a common bond of occupation or association; or employment or residence within a well-defined neighborhood, community, or rural district. The field of membership is defined in the credit union's charter by the Federal or state regulatory agency.

q. Financial Institution. This term encompasses any banking institution, credit union, and subordinate office or facility, each as separately defined here.

r. Financial Services. Those services commonly associated with financial institutions in the United States, such as checking, share and savings accounts; funds transfers; sales of official checks,

SECNAVINST 5381.5A

05 JUN 1990

money orders, and travelers checks; loan services; safe deposit boxes; trust services; sale and redemption of U.S. Savings Bonds; and acceptance of utility payments.

s. Full-Service Credit Union. A credit union that provides full-time counter transaction services, including cash operations, and is staffed during normal working hours by a loan officer, a person authorized to sign checks, and a qualified financial counselor. In overseas areas, "full service" includes cash operations where not prevented by: (1) Host-country law or regulations; or (2) physical security requirements that cannot be resolved by the credit union or local command.

t. Full-Time Banking Facility. A banking facility or credit union branch that operates at least five days a week.

u. Independent Bank. A bank specifically chartered to operate on a military installation, whose directors and officers usually come from the local business and professional community. Such operations are thus differentiated from countywide or statewide branch systems consisting of a head office and one or more geographically separate branch offices.

v. Malpractice. Any unreasonable lack of skill or fidelity in fiduciary duties, or the intentional violation of an applicable law or regulation, or both, that governs the operations of the financial institution. A violation shall be considered intentional if the responsible officials know that an action or inaction violated a law or regulation.

w. National Bank. An association approved and chartered by the Comptroller of the Currency to operate a banking business.

x. Onbase. Refers to physical presence on a domestic or overseas military installation.

y. Operating Agreement. A mutual agreement between the military installation commander and onbase financial institution regarding their relationships.

z. Overseas DOD Installation. A military installation (or community) located outside the states of the United States, the District of Columbia, or the Commonwealth of Puerto Rico.

R) aa. Part-Time Banking Facility. A banking facility or credit union branch that operates fewer than five days a week, exclusive of additional payday service. When only payday service is

05 JUN 1990

provided, the banking facility may be termed a "payday service facility."

bb. Regulatory Agency. Includes the Office of the Comptroller of the Currency; the Federal Deposit Insurance Corporation; the Federal Home Loan Bank Board; the several Federal Reserve Banks and the Board of Governors of the Federal Reserve System; the National Credit Union Administration; the various state agencies and commissions that oversee financial institutions; and, for banking facilities, the Fiscal Assistant Secretary of the Treasury.

cc. Savings Association. A state or federally chartered mutual or stock savings institution, to include savings and loan associations, building and loan associations, homestead associations, and savings banks.

dd. Share Draft. A negotiable or nonnegotiable draft or other order prepared by a credit union member and used to withdraw shares from a share draft account, normally through the commercial banking system.

ee. State Bank. An institution, organized and chartered under the laws of a state of the United States, to operate a banking business within that state.

ff. State Credit Union. An institution, organized and chartered under the laws of a state of the United States, that operates under the same general principles as a Federal credit union and is supervised and examined by a state regulatory agency or commission.

3. Responsibilities

a. The Office of the Secretary of Defense. The Comptroller of the Department of Defense (C,DOD) develops and monitors policies and procedures governing establishment, operation, and termination of financial institutions on DOD installations. This is accomplished through the Deputy Comptroller (Management Systems) (DC(MS)). The Assistant Secretary of Defense (Production and Logistics) (ASD(P&L)) develops and monitors policies and procedures governing logistics support furnished to financial institutions on DOD installations, including the use of DOD real property and equipment. The Assistant Secretary of Defense (Force Management and Personnel) (ASD(FM&P)) advises (C,DOD) on all aspects of onbase financial institution services that affect the morale and welfare of DOD personnel.

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SECNAVINST 5381.5A

05 JUN 1990

b. The Navy Secretariat. The Assistant Secretary of the Navy (Financial Management) (ASN(FM)) monitors and supervises the overall Navy banking and credit union program, and is responsible for representing the Department of the Navy in financial institution matters with the Office of the Secretary of Defense, the Department of the Treasury, financial institutions, the National Credit Union Administration (NCUA) or equivalent state agencies, banking associations, and credit union associations. ASN(FM) also assists credit unions in developing and expanding credit union services. The Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASN(M&RA)) exercises policy oversight of the banking and credit union program in all matters affecting military and civilian personnel morale, welfare, and recreation. The ASN(FM) and the ASN(M&RA) will be apprised of all proposed actions which would affect operating policies and procedures on personnel morale or welfare. All aspects of the banking and credit union program which pertain to morale and welfare will be coordinated with the Commander, Naval Military Personnel Command (COMNAVMIIPERSCOM) and the Director, Naval Civilian Personnel Center (NAVCIIPERSCOM), as delegated by the Chief of Naval Personnel, under the Chief of Naval Operations, and the Commandant of the Marine Corps as appropriate. The Commander, Naval Facilities Engineering Command (COMNAVFAECOM) is responsible for granting, administering, modifying, reviewing, and terminating licenses and leases covering financial institutions and determining the fair rental for land and improvements.

R) c. The Comptroller of the Navy. Under the direction of ASN(FM), the Assistant Comptroller, Financial Management Systems through the Director of Cash Management and Financing (NAFC-44) will perform the following functions:

(1) Take action on requests to establish or terminate financial institution operations on respective installations subject to the provisions of paragraph 5.

(2) Supervise and encourage the use of financial institutions on Navy and Marine Corps installations as a means to:

(a) Facilitate convenient, effective management of the appropriated, nonappropriated, and private funds of onbase activities.

(b) Assist Department of the Navy personnel in managing their personal finances by participating in direct deposit programs and regular savings plans. Use of onbase financial institutions shall be on a voluntary basis and should not be urged in preference to, or to the exclusion of, other financial institutions.

05 JUN 1990

(3) Encourage and assist duly chartered financial institutions to provide complete financial services on Navy and Marine Corps installations where there is a demonstrated need for such services.

(4) Establish liaison, as appropriate, with Federal and State regulatory agencies and financial institution trade associations, leagues, and councils.

(5) Serve as principal liaison to financial institutions operating offices on respective domestic Navy and Marine Corps installations. (R)

(6) Evaluate the services provided by financial institutions to ensure that they fulfill the requirements upon which establishment and retention of those services were justified. (R)

(7) Monitor practices and procedures of respective onbase financial institutions to ensure that the welfare and interests of DOD personnel as consumers are protected. (R)

(8) Determine the level of logistic support to be provided to respective domestic banking institutions that submit reports reflecting nonself-sustaining status.

(9) Ensure that the recommendations of the Unified or Specified Command concerned are considered, when appropriate, before processing requests for overseas financial institutions or related actions emanating from Navy or Marine Corps installations overseas.

(10) Determine whether an existing banking facility may be converted to an independent or branch bank per paragraph 5.

d. The Commanders of Unified and Specified Commands. The Commanders of Unified and Specified Commands in overseas areas perform the following functions:

(1) Ensure the appropriate coordination of requests to:

(a) Establish financial institutions in countries not presently served. Such requests require coordination with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host country will permit the operation.

(b) Totally eliminate financial institutions in a country. Such requests require notification of the U.S. Chief of

SECNAVINST 5381.5A

05 JUN 1990

Diplomatic Mission and appropriate arrangements with the U.S. Embassy to coordinate local termination announcements and procedures.

(2) Monitor and coordinate financial institution operations within the command area. Personnel assigned to security assistance positions serve in this capacity only with the prior approval of the Director, Defense Security Assistance Agency (DSAA).

e. Installation Commanders. Commanders at all levels are responsible for the following:

(1) Assist respective onbase financial institutions in developing and expanding necessary services for Navy and Marine Corps personnel consistent with the provisions stated here.

(2) Provide logistic support to financial institutions as indicated in paragraphs 5 through 8.

(3) Encourage the conversion of existing domestic banking facilities on respective installations to independent or branch bank status where feasible.

(4) Provide debt processing assistance to onbase financial institutions following the Privacy Act guidelines set forth in Appendix A.

(5) Recognize the right of military personnel and civilian employees to organize and join credit unions formed under duly constituted authority.

(6) Encourage the expansion of credit union services.

(7) Encourage their personnel to volunteer to participate in credit union activities, such as serving on committees or boards, on a non-reimbursable basis where neither conflict of duties nor interest is involved. See reference (d).

(8) Refrain from serving on the Board of Directors or the Supervisory Committee of an on-site credit union or banking office.

(9) Render all possible assistance, within bounds of this instruction, to facilitate credit union efforts at the local level. They shall also periodically publicize the availability, practicability, and desirability of services offered by credit unions, particularly in the areas of financial counseling.

05 JUN 1990

(10) Promote command awareness of such areas as credit union fields of membership, lending policies, and applied practices in order to ensure the effective use of credit union services. In this regard, liaison with the credit union serving the personnel of the installation is highly desirable and strongly encouraged.

(11) Encourage members of their commands to develop habits of thrift and point out the benefits derived from maintaining an accumulation of savings.

4. Policies

a. Duly chartered financial institutions may be authorized to provide services, where demonstrated and justified needs exist, to facilitate the administration of public and quasi-public monies and enhance the morale and welfare of Navy and Marine Corps personnel.

b. Financial institutions shall be established on Navy and Marine Corps installations only after approval by the appropriate regulatory agency and the Assistant Comptroller, Financial Management Systems.

(1) Independent or branch banks, full-service credit unions, and savings associations are the preferred sources of onbase service at domestic installations.

(2) Banking facilities shall be established on Navy and Marine Corps installations only when a demonstrated and justified need cannot be met through other means. Normally, banking facilities shall be used only at overseas locations and in states that prohibit branch banking. In times of mobilization, it may become necessary to designate additional banking facilities as an emergency measure. Upon recommendation by NAFC-44, banking facilities may be designated by the Treasury Department. (R)

(3) The extension of banking facility and credit union services overseas is encouraged, consistent with the policies stated herein and with pertinent status of forces agreements, bilateral arrangements, and local laws.

(4) Retail banking operations shall not be performed by Department of the Navy activities. Proposals to seek the provision of financial services by institutions off the installation, when such services are available from existing on-base institutions, shall be approved by NAFC-44 after consultation with C,DOD. (R)

SECNAVINST 5381.5A

05 JUN 1990

c. Financial institutions authorized to locate on Navy and Marine Corps installations shall be provided logistic support as set forth in paragraphs 5 through 8.

d. Military disbursing offices, nonappropriated fund instrumentalities, and other installation activities shall use onbase financial institutions to the maximum extent feasible and consistent with sound management practice.

e. Onbase financial institution operations may be terminated only under one of the following conditions:

(1) The mission of the installation has changed, or is scheduled to be changed, thereby eliminating or substantially reducing the requirement for financial services.

(2) Active military operations preclude continuation of onbase financial services.

(3) The performance of the financial institution in providing services is not satisfactory according to standards ordinarily associated with the financial services industry or is inconsistent with the procedures prescribed in paragraphs 5 through 8. Termination actions begun on the basis of inadequate performance shall be substantiated by sufficient evidence. Such actions shall be coordinated with the appropriate regulatory agency and NAFC-44 before being carried out.

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D) f. Navy and Marine Corps personnel who tender uncollectible checks, overdraw their accounts or fail to meet their financial obligations in a proper and timely manner damage their credit reputation and affect the public image of all Navy and Marine Corps personnel. Furthermore, losses sustained by financial institutions on Navy and Marine Corps installations as a result of these actions increase operating costs and may reduce the institutions' viability. Such added operating costs must be borne by other customers and, in some cases, may increase the cost to the government of providing onbase financial services. Military financial counselors or legal advisors shall recommend workable repayment plans that avoid further endangering credit ratings and careers of affected personnel. Counselors shall ensure that such personnel are aware of the stigma associated with bankruptcy and shall recommend its use only as a last resort, when no other alternative will alleviate the situation.

g. Under unusual circumstances, more than one banking institution may be permitted to operate on a Navy or Marine Corps installation to ensure that personnel on the installation receive adequate financial services.

05 JUN 1990

(1) If a particular installation demonstrably needs more services, the existing banking office shall first be given the opportunity to meet those needs.

(2) When conditions warrant consideration of a second banking institution on the installation, a request providing full details shall be forwarded through channels to NAFC-44 for evaluation and appropriate action. All interested institutions near the installation that are insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC) should be given the opportunity to offer a proposal. The Assistant Comptroller, Financial Management Systems (NCF) may approve and forward such requests to the appropriate regulatory agency after coordination with the DC(MS). (R) (A) (R)

h. Only one credit union shall establish a branch or facility on a Navy or Marine Corps installation, and its field of membership normally shall include all assigned DOD personnel. However, on installations where more than one credit union already exist, each is entitled to the benefits defined in this instruction.

i. Financial services provided on Navy and Marine Corps installations shall be as uniform as possible for all DOD personnel. Similarly, service charges and fee schedules shall, wherever possible, be uniform at overseas DOD installations.

j. Given their unique role in promoting morale and welfare, credit unions operating on Navy and Marine Corps installations shall be recognized and assisted by commands at all echelons. These credit unions shall provide services to DOD personnel of all ranks and grades within their respective fields of membership.

k. Official and nonappropriated fund deposits at banking offices on installations shall be insured or collateralized under procedures established by the Fiscal Assistant Secretary of the Treasury.

l. NAFC-44 shall review banking institutions' proposals to establish banking offices on installations, giving notice of approval to the selected institution and the applicable regulating agencies. The selected banking institution shall apply for and obtain operating authority from the appropriate regulating agencies before opening an office. (R)

(1) In the case of state-chartered institutions that are members of the Federal Reserve System, approval also shall be obtained from the Federal Reserve Bank in whose district the proposed banking office is located.

SECNAVINST 5381.5A

05 JUN 1990

(2) In the case of state-chartered savings and loan associations, state supervisory authorities shall make this determination. In the case of federally chartered savings and loan associations, the determination shall be made by the Federal Home Loan Bank Board or the principal supervisory agent in the Federal Home Loan Bank Board district where the association does business.

m. Navy and Marine Corps personnel, other than an authorized representative of NAFC, will not solicit banking institutions to establish a banking office on an installation or make any commitment to a banking institution regarding the establishment and operation of a proposed banking office. Furthermore, preferential service or service charges for personnel will not be solicited from banking offices and they will not be subjected to force or coercion when banking arrangements are under consideration or after the banking office is in operation. The above prohibitions are not intended to preclude:

(1) exploratory discussions with eligible banking institutions, when requested by such institutions, prior to submission of a request to establish a new banking office;

(2) cooperating with banking institutions seeking to extend service by means of establishing a branch bank on Navy or Marine Corps installations which have demonstrated requirements for such service;

(3) discussions with the banking institutions when there are opportunities either to improve the services being provided or to effect savings for the banking office or the personnel who use the banking services;

R) (4) seeking additional proposals to establish banking service, as directed by NAFC-44; and,

(5) negotiations leading to the signing of a banking agreement as required.

n. Officials of banking offices on Navy and Marine Corps installations should be invited to participate in seminars conducted to educate personnel on personal financial management and on services offered by financial institutions. Such officials shall submit advance texts of their briefing materials for approval by the installation commander to ensure that the occasion is not used to promote the services of a particular banking institution.

05 JUN 1990

o. Military and civilian personnel who maintain accounts with on-site banking institutions will be encouraged to notify the banking institution in writing prior to permanent departure from a Navy or Marine Corps installation following clearance procedures established by the installation commander. Care must be exercised to assure that any procedures adopted for notice of change of address do not involve coercion.

p. The Department of the Navy is committed to providing for full credit union services to all Navy and Marine Corps personnel. Therefore:

(1) Credit unions will be assisted at all echelons in extending mutual benefits to all Navy and Marine Corps personnel by:

(a) encouraging habits of thrift through the accumulation of savings;

(b) lending money for personal loans at low cost interest rates;

(c) extending full counseling services on personal and family financial planning problems and related matters of financial interest to members and their dependents;

(d) making credit union services available to Department of the Navy personnel of all ranks and grades within the credit union's field of membership at the installation; and

(e) complying with the Truth-in-Lending Act (15 USC 1601 et seq.), and the limitations on dissemination of personal credit rating information of a member set forth in reference (e).

(2) The support called for by this instruction neither represents direction or supervision of credit unions, nor implies any financial responsibility for credit unions by installation commanders, the Department of the Navy, or the DOD.

q. It is Department of the Navy policy to support the delivery of retail financial services on Navy and Marine Corps installations via Automated Teller Machine (ATMs) that have connectivity to a national network. (A)

(1) Each on-line financial institution is encouraged to offer ATM service with network connectivity. (A)

SECNAVINST 5381.5A

05 JUN 1990

- A) (2) Proposals to install ATMs from other than on-base financial institutions may be considered under the following circumstances:

- A) (a) If the proposal offers ATM service with network connectivity. The installation commander shall determine whether the existing ATM(s) on the installation have network connectivity.
- A) (b) If the existing ATM(s) provide network connectivity, no further action is appropriate. If the existing ATM(s) does not provide network connectivity, the on-line financial institution shall be given up to six (6) months to provide such connectivity.
- A) (c) If ATM service is unavailable or if existing on-base ATM service does not provide connectivity within the six (6) month period, the installation commander may seek ATM service with network connectivity from another financial institution.

5. Banking Offices on Domestic Installations

a. Establishment

(1) General

(a) Banking offices on domestic Navy and Marine Corps installations shall be established only with prior approval of the Assistant Comptroller, Financial Management Systems and the appropriate regulatory agency. No commitment may be made to any banking institution regarding its proposal until a designation is made by the appropriate regulatory agency.

(b) Only banking institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) shall operate on domestic DOD installations.

(c) Except under highly unusual circumstances, banking facilities may be established only in those states that prohibit branch banking.

(d) Where domestic Navy and Marine Corps installations are unable to obtain onbase banking services, the installation commander may contact the financial community about installing automated teller machines (ATMs). Proposals that offer shared-access ATMs shall receive preference. The financial institution selected must secure regulatory agency approval, where necessary, before commencing ATM service. Action taken in response to such proposals shall be exempt from the limitation in paragraph 4 above. The

05 JUN 1990

availability of ATM service shall not preclude the later establishment of a banking office if conditions on an installation should change.

(e) The provision of banking services by means other than duly chartered public sector banking offices or ATM service is subject to prior review and approval by the DC(MS). Such proposals should be directed to NAFC-44.

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(f) Installation commanders will initiate requests for the establishment of a banking office through appropriate channels to the Assistant Comptroller, Financial Management Systems. Final review and recommendations to the Department of the Treasury or appropriate banking authorities will be the responsibility of NAFC-44.

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(2) Banking Facilities. Requests for a banking facility must be supported by the following data:

(a) Approximate number of officers, enlisted personnel, civilian employees and dependents at the installation and other persons that may be authorized to use the banking facility.

(b) Name(s) of banking institution(s) now cashing pay checks of assigned personnel, and the approximate number and amount cashed monthly by each, if known.

(c) Distance from the installation to the banking institutions in the area, including the names of these banking institutions and the cities in which located.

(d) Available official and public transportation between the installation and the vicinity of the nearest banking institution.

(e) Approximate loss of duty time due to personnel leaving the installation to obtain banking services.

(f) Number of personnel in duty assignments that confine them to the installation or who lack transportation (e.g., trainees, hospital patients, foreign military personnel).

(g) Source(s) from which the disbursing officer is now obtaining operating and payroll cash requirements, the frequency of such acquisitions, and the approximate amount obtained monthly.

(h) Name and location of the depository now being used by the disbursing officer for making official deposits for credit to the account of the United States Treasury.

SECNAVINST 5381.5A

05 JUN 1990

(i) Any estimated savings to disbursing officers by reason of establishment of the proposed banking facility.

(j) List of organization/nonappropriated fund accounts, showing the name and location of banking institutions in which fund accounts are carried and the average balance of each account.

(k) Proposed space for the banking facility, the extent and approximate cost of alterations which are required, including the construction of counters, teller cages, and appropriate alarm systems or camera surveillance equipment when deemed appropriate.

(l) A statement detailing the requirements of the proposed banking facility for safes, a vault, or both; appropriate alarm systems; and camera surveillance equipment when deemed necessary. The statement shall include the costs of such equipment and the manner in which it will be acquired.

(m) The justification for use of space when such space is controlled by the General Services Administration (GSA). All space assigned by the GSA, whether leased space or federal office building space, is reimbursable to the GSA as a standard level user charge. As such, the space occupied by a banking facility to serve military requirements shall be assigned and charged by the GSA to the installation concerned.

(n) Any other information that may support the requirement and justification for the proposed banking facility.

(3) Independent Banks, Branch Banks, and Savings and Loan Associations

R) (a) Installation commanders shall encourage banking institutions that operate banking facilities to convert them to independent or branch banks, if consistent with State law. Proposals from a banking institution to convert an existing banking facility to an independent or branch bank shall be forwarded to NAFC-44 for its approval after coordination with the DC(MS) and Treasury Department.

R) (b) Proposals for establishment of an independent bank, a branch bank, or a savings and loan association office received by installation commanders shall be forwarded through channels to NAFC-44, together with recommendations for acceptance or rejection. Such proposals shall contain the same information required for banking facilities in paragraph 5a(2).

05 JUN 1990

(1) If there is no existing banking office on the installation and it is determined that a banking office is needed, NAFC-44 shall solicit proposals from other nearby banking institutions before making a determination. (R)

(2) If a banking office other than a military banking facility is already in operation on the installation, the restriction against having a second banking office applies.

(3) If the proposal offers to replace an existing banking facility, NAFC-44 shall offer the banking institution currently operating the facility an opportunity to submit a proposal to convert its facility. (R)

(4) With respect to a proposed branch bank or independent bank, preference shall be given to the banking institution that has operated the banking facility, provided that prior banking service has been satisfactory and that the institution's proposals are deemed adequate.

(4) Domestic Automated Teller Machine (ATM) Service

(a) ATMs may be used to augment service provided by an onbase banking office. An onbase banking facility may be authorized to site ATMs on the installation if it conforms to the requirements of this paragraph. Further approval by the Treasury Department is not required. An onbase branch or independent bank may site ATMs on the installation after obtaining the approval of the appropriate regulatory agency, if required to do so by the regulations of that agency, and by conforming to the requirements of this paragraph.

(b) A banking institution proposing to augment onbase banking office service by installing one or more ATMs shall coordinate the ATM proposal through the installation commander. NAFC-44 approval is not required. It shall also provide a statement that the cost of ATM installation and maintenance shall be borne by the banking institution alone or in conjunction with other financial institutions. The system shall provide for access through debit and credit cards. (R)

(c) Upon approval, appropriate leases shall be negotiated per this instruction. No lease is needed to site an ATM within the existing banking office. When a banking office requests up to 100 square feet of additional floor space in an existing structure, and the banking office agrees to bear all expenses for modifying the structure, a lease providing for an annual rental fee of \$1.00 shall be locally negotiated and approved. This lease provision also shall

05 JUN 1990

be offered if the banking office requests up to 250 square feet of land to construct, at its expense, a kiosk or other structure to house an ATM. In either case, the cost of any maintenance, utilities, and services provided by the installation shall be borne by the banking office. Leases pertaining to other situations shall be negotiated following paragraph 5b.

- R) (d) Banking offices proposing to install an ATM at a location on the installation that is remote from the existing banking office shall submit a request through the installation commander for review and approval. As a minimum, the installation commander shall require the banking institution to comply with the requirement paragraph 5a(4)(b) as it pertains to access through debit and credit cards. The installation commander shall also ensure that proposals for locating ATMs in facilities not normally under command jurisdiction (such as exchanges) are fully coordinated, provide that appropriate leases shall be negotiated for approved remote ATM sites following this instruction, and advise NAFC-44 that an ATM has, or has not, been approved for operation.

- R) (e) If efforts to introduce a banking office on the Navy or Marine Corps installation are unsuccessful or inappropriate, the installation commander may request NAFC-44 to solicit proposals for "ATM-only" service (refer to paragraph 5a(1)(d)). In acquiring such service, provisions of paragraph 5a(4)(d) shall apply to banking service provided under this paragraph; however, such service is not subject to the limitation of only having one banking office on an installation.

b. Logistic and Other Support

(1) Categories of Domestic Banking Offices. For the purposes of authorizing logistical support, domestic banking offices are categorized as either self-sustaining or nonself-sustaining. Existing military banking facilities that previously have been determined to be nonself-sustaining and, consequently, entitled to support from the Department of the Treasury, the Navy and Marine Corps, or both, shall continue to provide reports as in the past until modified procedures are announced jointly by the Departments of Treasury and Defense.

(2) Determination of Category

- R) (a) A domestic banking office is considered to be self-sustaining until the banking institution provides NAFC-44, through the installation commander, profit-center financial statements (certified by the bank's certified public accountant) indicating that the profitability of that office has fallen below seven percent of

30 OCT 1990

of gross expenses incurred for four consecutive calendar quarters. Free rent and utilities may then be authorized by the Assistant Comptroller, Financial Management Systems. At this time the banking office is categorized as a nonself-sustaining office.

(b) Such authorization will remain in effect so long as the banking office continues to provide quarterly statements to NAFC-44 reflecting a profit of less than ten percent of gross expenses for that particular office. When such statements reflect a profit of more than ten percent of gross expenses for four consecutive calendar quarters, reimbursement shall be required for rent and utilities. After resuming payment for rent and utilities, free rent and utilities will not be authorized again until profits fall below seven percent of gross expenses for four consecutive quarters.

(c) Granting free rent and utilities will be predicated on a favorable recommendation to NAFC-44 by the installation commander.

(3) Nonself-sustaining Banking Offices. When a banking office is determined by the Assistant Comptroller, Financial Management Systems to be nonself-sustaining under paragraph 5b(2), it may be furnished logistical support, including the use of Government-owned property and services, without charge.

(a) Generally, space in Government-owned buildings shall be furnished in support of a nonself-sustaining banking office under a no-cost license for a period of five years, subject to cancellation upon determination that the office has become self-sustaining. At that time, a lease shall be negotiated per paragraph 5b(4).

(b) When, under the terms of a lease, title to improvements passes to the Government, arrangements shall normally be made by no-cost permit or license for the continued occupancy of those improvements if the banking office continues to be nonself-sustaining. When the square footage involved exceeds that authorized in DOD Manual 4270.1-M of September 1987 (NOTAL), the banking office shall be given first choice to continue occupying the excess space under a lease that provides for nominal rental for the land underlying that excess space. (R)

(c) In those exceptional instances where a nonself-sustaining banking office is authorized to construct its own building on Government-owned land, or make improvements to Government-owned space, no ground rent may be charged until it is determined to be self-sustaining or until expiration of the term of the lease,

05 JUN 1990

whichever occurs first. When either of these events occurs, a fair market rental, as determined by appraisal per paragraph 5b(4) shall be charged.

(d) Adequate space shall be made available--including steel bars; grillwork; security doors; a vault, safes, or both; burglar alarm system; other security features normally used by banking institutions; construction of counters and teller cages; and other necessary modifications and alterations in existing buildings. In determining the adequacy of space which will be classified as administrative space, it is important that the banking office be housed in a building that is accessible to the majority of personnel on the installation and is so located as to permit maximum security. The size and arrangement of customer and work area shall permit efficient financial operations. However, the area of the space assigned shall not exceed that prescribed by the following table:

<u>Personnel Strength 1/</u>			<u>Area Square Feet</u>
Up	to	1,000	1,500
1,001	-	2,000	2,375
2,001	-	3,000	3,250
3,001	-	4,000	3,624
4,001	-	5,000	4,000
5,001	-	6,000	4,375
6,001	-	7,000	4,750
7,001	-	9,000	5,560
9,001	-	11,000	6,375
11,001	-	13,000	7,190
13,001	-	15,000	8,000
15,001	-	17,000	10,000
17,001	-	20,000	13,000

Over 20,000

Determined by Engineering Study

1/ Active duty military personnel assigned to an installation and stationed within a commuting area not served by another banking office, plus civilian employees of the installation.

(e) All maintenance, repair, rehabilitation, alterations, or construction for banking offices shall be accomplished following DOD Instruction 4165.64 of 23 May 1985 (NOTAL) and DOD Manual 4270.1-M of September 1987 (NOTAL).

30 OCT 1990

(f) The following items may be leased, when available from local stock, at a nominal cost; i.e., \$1.00 per year: typewriters, adding machines, and other office equipment and office furniture.

(g) Air-conditioning is considered a normal utility for those banking offices located at installations which qualify under provisions of applicable Navy regulations.

(4) Self-sustaining Banking Offices

(a) Lease of Land. A lease of land for construction of a building to house a self-sustaining banking office shall be at minimal charge; i.e., \$1.00 per year. Once determined, the charges shall be applicable for the term of the lease. The right shall be reserved to terminate the lease in the event of national emergency; base closure, deactivation, or substantial realignment; default by the lessee; or in the interest of national defense. Maintenance and the cost of utilities and services furnished shall be the responsibility of the lessee. (Rates shall be established in conformance with DOD Directive 4000.6 of 23 January 1976 (NOTAL) and shall be confirmed by a written agreement between the COMNAVFACEGCOM and the banking institution.) The lessee shall provide written notice 90 days before it intends to voluntarily terminate the lease. Whenever such a lease is terminated or when the term expires, the option shall be with the Government either to cause title in all improvements to be vested in the United States or to require the lessee to remove the improvements and restore the land. (D)

1. When, under the terms of a lease, title to improvements passes to the United States, the lessee shall be given first choice to continue occupying the building under a lease that provides for nominal rental only for the associated land. The lessee shall continue to maintain the premises and reimburse the cost of utilities and services furnished. (R)

2. If determined to be in the Government's interest, an existing lease of land may be extended prior to expiration of its term. Passage of title to facilities will be deferred until all extensions have expired. Such extensions shall be for periods not to exceed five years. The banking institution will continue to maintain the premises and pay for utilities and services furnished.

3. Upon determination, the rental charge under any lease granted at fair market value is applicable for the term of the lease. However, an extension of any such existing lease may provide for nominal rental, i.e., \$1.00 for the term of the lease extension.

05 JUN 1990

(b) Lease of Land When the Banking Office Participates in the Construction. When a banking institution participates in the construction of a complex such as an installation shopping mall, it shall be provided a lease at nominal rental, i.e. \$1.00 per year.

(c) Continued Occupancy after the Passage of Title. When under terms of a lease, title to improvements passes to the government, arrangements shall normally be made by lease for continued occupancy of those improvements at nominal rental only for the land associated with it. The lessee shall continue to maintain the premises and pay the cost of utilities and services furnished.

(d) Lease of Government-owned Building. A lease of an existing Government structure to house a self-sustaining banking office shall be at appraised fair market rental value. The term of the lease shall not exceed five years, subject to renewal by mutual agreement and subject also to the right of the installation commander to terminate the lease per the cancellation provisions prescribed in paragraph 5b(4)(a). If space occupied is under assignment from the GSA, the banking institution shall reimburse the Navy at the standard level user charge rate for that space and other special services furnished through the GSA. When a banking installation uses its own funds to modify or renovate existing government space, a lease may be negotiated for a period not to exceed 25 years. Duration of the lease shall be commensurate with the extent of the improvements as determined by the installation commander. The lessee shall perform interior alteration and maintenance, and reimbursement shall be made by the lessee for utilities, custodial, janitorial, and other services furnished.

(e) Existing Leases. Leases executed before the issuance of this instruction may not be disturbed unless a lessee (banking institution) specifically requests that a lease be renegotiated under this paragraph. No lease contract may be negotiated or renegotiated, nor may any rights thereunder be waived or surrendered without compensation to the Government, except as provided in paragraph 5b(2). Compensation to the Government may consist of added value to the property, added banking services, or both.

(f) Other Lease Considerations. The term of a lease may exceed five years only when the Secretary of the Navy or designee determines that such an extended term will promote the national defense or be in the public interest. Leases shall include the

05 JUN 1990

provision that, in the event of national emergency or other events, at the option of the Government, structures and other improvements erected thereon shall be conveyed to the Government without reimbursement or removed and the land restored to its original condition. Other events are the inactivation, closing, or other disposal action of the installation or the termination of the banking institution's lease under paragraph 5b(4)(a).

(g) Construction of Building. A banking institution authorized to operate a banking office on an installation may construct, at its own expense, a building to house its activities, subject to certain provisions. The building shall be confined to the needs of the banking institution. The building may not be constructed to provide for other commercial enterprises or government instrumentalities. Proposals for construction of structures on an installation at a banking institution's expense shall be reviewed and reported under DOD Instruction 7700.18 of 12 May 1983 (NOTAL). In support of each construction proposal, the banking office shall provide written assurance that management understands its potential loss of the building in the event of installation closure or other delimiting condition identified in paragraph 5b(4)(f). The proposed building will serve only the needs of the banking office and will not be used to house other activities. The written assurance will also state management accepts financial responsibility for and will reimburse the U.S. Government for all costs of construction and maintenance, utilities, and other services furnished. Rates shall be established per DOD Directive 4000.6 of 23 January 1976 (NOTAL) and confirmed by a written agreement between the DOD installation and the banking institution. (R)

(h) Proposal. The proposal shall be forwarded through channels to NAFC-44 for review and approval. Additional information that must be provided in support of each construction proposal includes (1) approximate number of officers, enlisted personnel, civilian employees and dependents at the installation, plus any other persons who may be authorized to use the banking office; (2) square footage of the proposed building; (3) size of land area to be leased to the banking institution; (4) length of the term of lease; (5) estimated cost of the proposed construction; (6) estimated fair market value of the land to be leased; (7) a brief description of the extent to which the banking institution will be responsible for utility connections and other utility and maintenance costs; and, (8) justification for a waiver of space criteria if building size exceeds that specified in paragraph 5b(3)(d). (R)

05 JUN 1990

(5) Locator and Debt Collection Service

(a) Central locator service for military addresses of active duty personnel requested by banking offices shall be provided at no cost per reference (f) and Appendix A. This service is provided only when necessary to locate individuals for settlement of accounts including bad checks and delinquent loans. However, the banking office should first solicit the assistance of the installation commander.

(b) For Navy active duty personnel, requests for locator service must be made in writing and include the person's name, rank, social security number, and last known duty station. Such requests should be addressed as follows:

Navy Finance Center - Locator
A.J. Celebrezze Federal Building
Cleveland, OH 44199

(c) For Marine Corps active duty personnel, a telephone inquiry service is available at Headquarters Marine Corps. Calls for locator service should be directed to (703) 640-3942.

(d) Debt processing assistance as limited by the Privacy Act guidelines in Appendix A will be provided. If delinquent loans or dishonored checks are not recouped within 48 hours, banking institutions operating on DOD installations may bring them to the attention of the local commander, bank liaison officer or other designee, for assistance in effecting restitution of the amount due, if not otherwise prohibited by law.

(e) Clearance procedures for military personnel departing their installations must be provided to the onbase banking office with adequate notice of its customers' impending departure. Clearance involves reporting a change of address, reaffirming allotments or notes payable and arranging for counseling, if appropriate. Clearance shall not be denied to facilitate the collection of debts or the resolution of disputes between the financial institution and its departing customers. Where administratively feasible, similar clearance procedures shall be used for departing DOD civilian personnel.

(6) Security. Banking offices on installations shall receive on a nonreimbursable basis the use of military or civilian guards (the latter to be used within the installation only), military police, or other protective services for necessary periods of time on paydays, to accompany shipments of money from the parent banking institution or other source when such monies are for the primary use

05 JUN 1990

of the military disbursing officer, or at other times involving unusual circumstances when required to avoid undue risks or costs of insurance on the part of the banking office. In this regard, overall security precautions normally present shall be considered.

(7) Other Financial Services. Traveler's check and money order sales by organizations other than the onbase banking office, post office, and credit union during times when the banking office is open for business will be prohibited.

c. Operations

(1) Operating Agreement. Before banking office operations begin, a written agreement shall be executed between the installation commander and officials of the banking institution that is to operate the banking office on the installation. An information copy of each agreement entered into after the effective date of this instruction will be forwarded through channels to NAFC-44. As a minimum, the agreement shall address the following statements:

(R)

(a) A general statement of services to be rendered and the conditions. To the extent feasible, full financial services shall be provided; however, agreements entered into under this provision may not restrict the banking institution's right to adjust services and fees as required to maintain consistency with competing institutions or the banking office's branch-wide service offering and fee schedules.

(b) The financial institution shall comply with this instruction.

(c) The financial institution shall indemnify and hold harmless the Government from (and against) any loss, expense, claim, or demand to which the Government may be subjected as a result of death, loss, destruction, or damage in connection with the use and occupancy of premises of the Department of the Navy in whole or in part by agents or employees of the financial institution.

(d) Neither the Department of the Navy nor its representatives will be responsible or liable for the financial operation of a financial institution or for any loss (including criminal losses), expense, or claim for damages arising from this operation.

(e) The financial institution will accommodate, whenever possible, local command requests for lecturers and printed materials for consumer credit education programs as required to be conducted by the installation commander per reference (e). Financial institution

SECNAVINST 5381.5A

05 JUN 1990

personnel invited to participate in such programs shall not use the occasion to promote the exclusive services of a particular financial institution.

(f) The installation commanders agree to provide support as specified in paragraph 5b.

(2) Liaison Officers. Each commander having an installation banking office shall appoint a banking liaison officer. The banking liaison officer's name and duty telephone number shall be displayed in the lobby of each banking office located on an installation. Anyone who serves as a credit union board member or in any other official credit union capacity may not serve as a banking liaison officer. This officer shall maintain regular contact with the banking office manager to:

(a) evaluate banking office performance;

(b) recommend and discuss improvements in the quality and quantity of banking office services; and,

(c) assist in resolving customer complaints relating to banking services.

Neither liaison officers nor their superiors shall become involved in the internal operations of the banking office.

(3) Restrictions on the Services of Government Personnel

(a) Active duty military personnel or civilian employees of the Navy or Marine Corps may not be detailed to duty or employment with a financial institution located on an installation; however, off-duty personnel may be employed by a financial institution, subject to the approval of the installation commander, provided such employment will not interfere with the full performance of the individual's military or civilian duties.

(b) DOD personnel may not serve as directors of banking institutions that operate on installations where they are currently assigned.

(c) Members of DOD reserve components called to active duty while serving as directors of banking institutions with onbase banking offices need not resign those directorships because of their changed status.

(4) Services Rendered to Individuals and Nonappropriated Fund Instrumentalities

(a) Check Cashing. Normally, banking offices shall provide the same services on installations as are provided in the local community. With certain exceptions, service charges or fees levied for such services may not exceed those customary for the banking institution that operates the banking office. There will be no cashing charge to accountholders for cashing Treasury checks or checks drawn on the banking institution. A reasonable charge may be made for cashing Treasury and personal checks drawn on other institutions for nonaccountholders. (R)

(b) Counseling. Counseling service shall be made available without charge to individual accountholders. Such services shall include helping customers to budget and solve financial problems. Military members in pay grades E-1, E-2, or E-3 or newly married couples who apply for loans shall receive special attention and counseling.

(c) Loans. Following accepted banking practice, policies on loans to individuals are expected to be as liberal as possible while remaining consistent with the overall interests of the banking institution and its stockholders. Onbase banking offices must strive to provide the best possible service to all customers. Financial institutions that evidence a policy of discrimination in their loan services are in violation of this instruction. In resolving complaints of discrimination, the installation commander shall follow procedures specified in paragraph 5c(11) of this instruction. Financial institutions shall conform to the Standards of Fairness principles as set forth in reference (e) before executing loan or credit agreements. Should a financial institution refer a prospective borrower to an offbase office of the same institution, it shall advise the latter office that the DOD requires compliance with the Standards of Fairness before executing the loan or credit agreement.

(5) Services Rendered to Disbursing Officers

(a) Banking offices are expected to provide cash, including payroll cash to Navy and Marine Corps disbursing offices, upon request. Local operating funds may be expended if the banking office requests reimbursement for costs incurred.

(b) When so authorized, banking offices shall accept deposits for credit to the Treasury's General Account.

05 JUN 1990

(6) Staffing

(a) Onbase banking offices are expected to be adequately staffed commensurate with banking industry standards for similar numbers of accountholders and financial services rendered.

(b) Remote service locations at the same installation may be staffed with one person alone, provided that there is a direct courier or message service to the main onbase banking office.

(c) All staffing shall fully comply with the spirit and intent of the DOD equal employment opportunity policies and programs.

(7) Hours of Operation. Onbase banking offices may conduct operations during normal duty hours provided they do not disrupt the performance of official duties. Banking offices should set operating hours that meet the needs of all concerned. ATMs may be used to provide expanded service and operating hours.

(8) Deposit Insurance. Banking offices must provide insurance coverage by the FDIC (for commercial banks and certain savings banks) or FSLIC (for certain savings banks and all other savings associations as defined in paragraph 2). A banking office not maintaining such insurance shall be suspended from onbase operation.

(9) Allotments of Pay. Navy and Marine Corps personnel may use their allotment of pay privileges as authorized by DOD Directives 7330.1 of 14 January 1986 and 1418.4 of 16 March 1979 (NOTAL) to establish sound credit and savings practices through onbase banking offices. The financial institution shall credit customer accounts not later than the value date of the allotment check or electronic funds transfer. Under no circumstances shall the initiation of an allotment of pay become a prerequisite for loan approval for disbursement to the financial institution's customer. Allotments voluntarily consigned to a financial institution shall continue at the option of the allotter.

(10) Advertising

(a) Advertising of onbase financial institution services shall be in harmony with applicable policies contained in reference (e).

(b) Advertising in official Armed Forces newspapers and periodicals (DOD Instruction 5120.4 of 14 November 1984 (NOTAL) and DOD Directive 5120.43 of 8 April 1977 (NOTAL)) is prohibited with the exception of insert advertising in the Stars and Stripes overseas.

(c) DOD Instruction 5120.20 of 23 December 1980 (NOTAL) precludes use of the Armed Forces Radio and Television service to promote a specific financial institution.

(d) Onbase financial institutions may use the unofficial section of the installation daily bulletin, provided space is available, to inform DOD personnel of financial services and announce seminars, consumer information programs, and other matters of broad general interest. Announcements of free financial counseling services are encouraged. Such media may not be used for competitive or comparative advertising of, for example, specific interest rates on savings or loans.

(e) Onbase financial institutions may use onbase information bulletin boards for announcements of a broad general nature that complement the installation's financial counseling and thrift promotion programs. Onbase financial institutions may, with moderation, use installation message center services to distribute, with moderation, announcements for display on informational bulletin boards, provided this does not overburden the distribution system. (R)

(f) Installations, to include military exchange outlets or concessionaires, shall not permit the distribution of competitive literature from other financial institutions at locations served by onbase financial institution. This does not preclude a financial institution from using commercial advertising or mailings to serve its customers; or having exchange services distribute literature on affinity credit cards centrally acquired through competitive solicitation. (R)

(11) Complaints Processing

(a) Discrimination. Any installation commander who suspects or receives complaints of discrimination by the onbase banking institution shall try to resolve any such problem by negotiation. Failing this, a written request for investigation shall be forwarded to the appropriate regulatory agency. The request must document the problem and command efforts toward resolution. Information copies of all related correspondence shall be sent through channels to NAFC-44 for transmittal to the DC(MS). (R)

(b) Malpractice. The installation commander shall report to the appropriate regulatory agency evidence suggesting malpractice by banking office personnel. Information copies should be sent to NAFC-44 for further transmittal to DC(MS). (R)

05 JUN 1990

- R) (c) Follow-up. If an installation commander is not satisfied with action taken by the appropriate regulatory agency, he shall submit a full report with recommendations to the DC(MS) via NAFC-44. The DC(MS) shall pursue the matter with the appropriate regulatory agency and apprise the installation commander of progress or resolution.

d. Termination

(1) Banking Facilities

(a) The installation commander shall immediately notify NAFC-44 if a banking facility has been placed in an inactive status or if personnel reductions at the installation have reduced banking facility operations below a justifiable level.

- R) (b) An onbase banking office planning to terminate its operations should notify the installation commander and the Department of the Treasury at least 90 days before the closing date. This notification should precede any public announcement of the planned closure. When appropriate, the commander shall attempt to negotiate an agreement permitting the banking office to continue operations until the installation has made other arrangements. Immediately upon notification of a closing, the commander shall advise NAFC-44. If it is determined that continuation of banking services is justified, NAFC-44 will determine the feasibility of requesting another banking institution to provide banking service at the installation.

(2) Other Banking Offices

- R) (a) An installation commander may recommend to NAFC-44 that action be taken which will result in the removal of a financial institution from the installation; however, any such recommendation must be fully supported and be based on justifiable reasons.

(b) Financial institutions other than financial facilities may be terminated by the parent financial institution provided written notice is furnished to the installation commander not less than 90 days before the closing date.

(3) Termination for Cause. If, after discussion with financial institution officials, the installation commander determines that the operating policies of the financial office are inconsistent with this instruction, a recommendation for

05 JUN 1990

termination of logistic support and space arrangements may be made to NAFC-44. Removal of a financial institution from the installation shall be made only with the approval of NAFC-44, after coordination with DC(MS) and the appropriate regulatory agency. R)

6. Overseas Military Banking Offices

a. Establishment

(1) General. The DOD provides banking services overseas to authorized individuals and organizations using one of the following means:

(a) contracts negotiated with U.S. banking institutions under the Federal Acquisition Regulation;

(b) direct negotiation with U.S. banking institutions for operation of nonreimbursable banking facilities; or,

(c) direct negotiation with foreign banks where host countries do not permit the use of U.S. banking institutions.

(2) Banking Facilities Operated by U.S. Banking Institutions

(a) General. Establishment of overseas banking facilities follows the same procedures as in paragraph 5. In addition, requests for establishment of banking facilities in countries not presently served by such facilities will include a statement that the requirement has been coordinated with the Chief of Diplomatic Mission and that the country involved will permit the operation. As a general rule, banking facilities may be proposed when the population to be served meets the criteria in the following two subparagraphs.

(b) Criteria for Full-time Facility. The population to be served by a full-time facility should, in the absence of unusual circumstances, number at least 1000, including officers, enlisted personnel, and civilian employees.

(c) Criteria for Part-time Facility. The population to be served by a part-time facility should, in the absence of unusual circumstances, number at least 250, including officers, enlisted personnel, and civilian employees.

(d) Remote Areas. It is recognized that the population at certain remote areas is not sufficient to meet the criteria set forth above for establishing a full or part-time

05 JUN 1990

banking facility. In such instances, the installation commander will explore all other alternatives for acquiring limited cashier type services, primarily check cashing and accommodation exchange, from disbursing officers and their agents, before requesting the establishment of a military banking facility.

(e) Requirements. Actual establishment of an overseas banking facility is predicated upon (1) designation of the proposed facility as a "Depository and Financial Agent of the U.S. Government" by the Fiscal Assistant Secretary of the Treasury, (2) the availability of banking institutions willing and able to bid for the operation of the facility and the reasonableness of such proposals, and (3) the availability of appropriated funds to pay for such banking services.

(f) Requests. The data used to justify establishment of overseas banking facilities shall include but not be limited to the following items:

1. The approximate number of DOD personnel at the installation and any other persons who may be authorized to use the banking facility.

2. The distances between the installation and the nearest banking facility and credit union offices, the operators of those institutions, and the installations (military communities) at which they are located.

3. The availability of official and public transportation between the installation and the nearest banking facility and credit union office.

4. The approximate loss of duty time as a result of DOD personnel leaving the installation to obtain banking services.

5. The number of DOD personnel in duty assignments that confine them to the installation or who cannot obtain transportation (such as hospital patients).

6. Source(s) from which the military disbursing officer presently obtains operating and payroll cash, the frequency of these cash acquisitions and the approximate dollar value obtained monthly.

7. The name and location of the depository now being used by the military disbursing officer to make official deposits for credit to the U.S. Treasury's General Account.

05 JUN 1990

8. The estimated savings to the military disbursing officer if a banking facility is established on the installation.

9. A list of organizational and nonappropriated fund accounts, the name(s) and location(s) of the banking institution where deposits are presently made, and the average daily activity and balance of each account.

10. A written description and photographs or drawings of the space proposed for banking facility use. The extent and approximate cost of required alterations, including the construction of counters and teller cages, shall be included.

11. A statement detailing the requirements of the proposed banking facility for safes, a vault, or both; appropriate alarm systems; and camera surveillance equipment, where deemed necessary. The statement shall include the costs of such equipment and the manner in which it will be acquired.

12. In countries without U.S. operated banking facilities, a statement as required by paragraph 6a(2)(a) of this instruction.

(3) Other Overseas Banking Offices. The banking and currency control laws of certain host countries (e.g., Spain and Italy) do not permit the operation of banking facilities on military installations by U.S. banking institutions. In such cases, installation commanders in locations where the criteria in paragraph 6a(2)(a) are met, will forward requests for banking services or proposals voluntarily submitted by local banks through their component commanders. Requests will be documented following paragraph 6a(2). Component commanders will effect coordination with the Unified Commander, or his/her designee for banking matters, to ensure full exploration of alternatives with the appropriate Chief of Diplomatic Mission, and commonality, to the extent practicable, in banking services provided to all DOD personnel stationed in that country. Component commanders will forward coordinated requests and proposals to NAFC-44 for appropriate action. Banking offices proposed under this paragraph will be approved only after designation of the banking institution as a "Depository and Financial Agent to the U.S. Government" and exploration of the parent banking institution's willingness/ability to provide collateral backing for official and nonappropriated fund U.S. dollar deposits in a form acceptable to the DC(MS) and the Fiscal Assistant Secretary of the Treasury.

05 JUN 1990

b. Logistic and Other Support

(1) Banking Facilities Operated by U.S. Banking Contractors. Navy and Marine Corps installations shall furnish, without charge, all support to banking facilities operated by U.S. banking contractors as enumerated in paragraphs 5b(3), (5) and (6). In addition, overseas logistical support to such facilities shall include, but need not be limited to, the following services:

(a) Telephone Systems. Access to DoD Voice and Data Telecommunication systems as granted by the Defense Communications Agency on a case-by-case basis.

(b) Furniture or Equipment. Certificates of non-availability are to be provided such facilities when items of office furniture or equipment are unavailable for loan on memorandum receipt.

(c) Special Vehicle Registration. Special vehicle registration will be provided for bank-operated vehicles and the purchase of gasoline for use in such vehicles will be authorized from Government-owned facilities where this is not in conflict with host government agreements. Vehicle registration will be subject to normal fees.

R) (d) Housing for Bank Personnel. Where bank personnel cannot obtain suitable housing in the vicinity of the installation, key or essential bank personnel may occupy public quarters on a rental basis as permitted by applicable regulations and following, DOD 4165.63-M "DOD Housing Management," June 1988 (NOTAL), authorized by DoD Instruction 4165.63, 20 July 1989 (NOTAL).

(e) Use of Military Postal Service. Banking facilities located at overseas installations are authorized the use of the free Intra-theater Delivery System (IDS) for all routine mail sent and received between Fleet Post Offices (FPOs) within a theater.

(f) Travel of U.S. based banking institution officials to their overseas onbase offices will be as set forth in DOD Directive 4000.6 of 23 January 1976 (NOTAL). Invitational travel orders that authorize travel at no expense to the U.S. Government may be issued by the local commander for official onsite visits.

(g) Other support as required under the terms and conditions established during annual contract negotiations and confirmed in respective contracts. Suggestions for change may be forwarded through military channels to the DC(MS).

(R)

(2) Other Overseas Banking Offices

(a) Logistical support provided to such offices shall be negotiated with the banking institution which proposes to operate the office and will be made part of the written mutual agreement covering the operation. (See paragraph 6c).

(b) Usually, logistical support provided under this paragraph should be no more favorable to the banking institution than that provided to domestic banking facilities. (See paragraph 5b(3), (4), (5) and (6).) Whenever possible, such institutions should be required to reimburse the Department of the Navy for logistical support provided.

c. Operations

(1) General Conditions

(a) Written Agreement. Prior to commencing banking office operations, a written mutual agreement will be effected by the installation commander and representatives of the banking contractor or other financial institution which proposes to operate the banking office on the military installation. A copy of this agreement will be forwarded through channels to NAFC-44.

(b) Banking Facilities. Banking facilities shall operate under terms and conditions established at the time of annual contract negotiations, and confirmed in respective contracts or contracting officer determination. In addition, there will be an operating agreement which will include necessary operating details not specifically set forth in the contract. Staffing will be maintained within negotiated ceilings. Although the contract limits the number of hours per week that the banking office may be open for business, it encourages local commanders and banking facility managers to agree on the specific days and hours of operation to meet local needs. For example, operating days negotiated locally may include Saturday and operating hours may include evening hours when necessary to complement or parallel other retail services available to DOD personnel on the installation, provided that the contractor agrees to provide such service at no additional cost to the Government. When cost implications are involved, the installation commander will

SECNAVINST 5381.5A
05 JUN 1990

forward a request for expanded or modified days and/or hours of operation, with an explanation of the need, through channels to NAFC-44 for consideration by DC(MS).

R) (c) Other Banking Offices. For other banking offices, an effort shall be made to include in the agreement those provisions specified in paragraph 5c(1). Every effort shall be made to protect the interests of the U.S. Government; however, submission of operating statements to installation commanders will not be required. In the absence of overriding considerations, the agreement shall specify that the bank will give 90 days advance written notice of its intent to terminate operations. Before the agreement is executed, it shall be coordinated with the Unified Command Commander, or his/her designee, and shall be forwarded to NAFC-44 for coordination with the Deputy Assistant Secretary of Defense (Management Systems) and for approval.

(d) Other Restrictions and Requirements. The provisions of paragraphs 5c(2) and (3) apply to the operation of banking offices on overseas installations.

(2) Operations of Overseas Banking Facilities Operated by U.S. Banking Contractors

(a) Authorized Customers. Banking contracts specify personnel authorized to receive service. In addition, an installation commander may approve banking service for other individuals and organizations when they qualify for individual logistic support and their use of banking services is not precluded by status of forces or similar intergovernmental agreements or local law.

R) (b) Services Rendered. The services rendered by banking facilities operated by U.S. banking institutions overseas and charges therefor are a matter of contract between the banking institutions and DOD. Suggestions for expansion of authorized services may be forwarded through channels to NAFC-44 for consideration. Proposals for new service must be coordinated with the appropriate Unified Commander and U.S. Chief of Diplomatic Mission or U.S. Embassy to make certain the proposal does not conflict with status of forces agreement or host country law.

(c) Part-Time Services. Part-time or payday service banking facilities generally will provide those services to individuals which are required of full-time banking facilities overseas. Since part-time facilities operate out of other nearby

05 JUN 1990

banking facilities, Navy and Marine Corps installations shall provide and bear the cost for adequate transportation and necessary guards for the protection of such part-time facilities.

(d) Review of Financial Statements. The installation commander or his/her designees will review each monthly income, expense and activity statement provided by the full-time banking facility.

(e) Deficiencies. The installation commander will report specific deficiencies in the delivery of banking services under current contracts, within seven calendar days of the identification of such deficiencies, to the manager of the banking facility (if the deficiency has not been remedied within 30 calendar days after its identification, the commander shall then report the deficiency expeditiously to NAFC-44).

(R)

(f) Emergencies. Major commands will cooperate with banking facility contractors in the development and regular update of plans for provision of banking services in the event of hostilities or other emergencies and for possible termination of such services.

(g) Cash Management. Both the banking facility contractor and disbursing officer shall ensure that cash management practices are established that will minimize the cash required to meet joint needs on a continuing basis. Banking facility provision of foreign currencies shall follow with DOD Directive 7360.11 of 8 September 1981 (NOTAL). When military payment certificates are prescribed for the area in which the overseas banking facility is operating, they shall be used following reference (g).

(3) Operations to be Provided by Other Overseas Banking Offices

(a) Operating Agreements. Operating agreements executed under paragraph 6c(1)(a) shall specify authorized customers, services rendered and related charges, and conditions of operation. To the extent feasible, services and charges shall be negotiated to parallel those provided by banking facilities operated under the DOD banking contracts.

(b) Coordination. Before such agreements are executed, they shall be coordinated with the Unified Commander, or designee and the DOD Component concerned. Upon approval, copies shall be provided to NAFC-44.

SECNAVINST 5381.5A

05 JUN 1990

(c) Authorized Customers. An installation commander may approve banking services for other individuals and organizations when they qualify for individual logistic support and their use of banking services is not precluded by status of forces or similar intergovernmental agreements or local law.

(d) Services Rendered. Services rendered by foreign banking offices on Navy and Marine Corps installations will parallel, and the charges will parallel, to the extent feasible, those services offered to authorized customers by the overseas banking facilities operated by U.S. banking contractors. Specific services will be a matter of negotiation with the foreign banking institution involved. (See paragraph 6c(1)).

(e) Conditions of Operation. A banking institution shall provide equipment (except that furnished by the installation), supplies, and trained bank personnel necessary for the operation of a banking office.

d. Termination

R) (1) Banking Facilities Operated by U.S. Banking Contractors. The installation commander will, through the appropriate command channels, immediately notify NAFC-44 in cases where personnel reductions or other situations at the installation have reduced banking facility operations below a justifiable level.

(a) Such notification should indicate whether a part-time facility should be established and the day(s) per week such an operation is necessary.

R) (b) NAFC-44 will take appropriate action to effect a change to the applicable contract and notify the Department of the Treasury that the banking institution's authority as a Depository and Financial Agent of the U.S. Government should be amended or revoked.

R) (2) Other Overseas Banking Offices. Terminations shall be effected under termination clauses of respective operating agreements. Notice of intent to terminate, including the closing date, shall be forwarded by the installation commander to NAFC-44. NAFC-44 will advise DC(MS) and the Fiscal Assistant Secretary of the Treasury so that the banking institution's authority as a depository and financial agent of the U.S. Government may be revoked.

05 JUN 1990

7. Domestic Credit Unionsa. Establishment

(1) Need. When there is a demonstrated need for credit union services and sufficient personnel exist, credit union services may be obtained by establishing a new full-service credit union, or opening a branch office or facility of an existing credit union under the common bond principle.

(2) Proposal. DOD personnel seeking to establish either a new full-service credit union, or a branch or facility of an existing credit union, shall submit a proposal to the installation commander for review. Proposals shall request a field of membership to include all DOD personnel at the installation. If the local commander supports the proposal, it shall be forwarded through channels to NAFC-44. (R)

(3) Review. NAFC-44 shall notify credit unions that operate on military installations of the need for service and review the specific proposals of interested credit unions. The Assistant Comptroller, Financial Management Systems will recommend for approval the designation of a credit union to the appropriate regulatory agency, providing an information copy to the DC(MS). No specific NCUA approval is required for a Federal credit union to open a branch office. (R)

(4) Prohibition on Prior Commitments. No commitment may be made to a credit union regarding its proposal until the appropriate regulatory agency has announced a selection.

(5) Service by Mail. When the possibilities described in paragraph 7a(1) do not exist, service by mail is permitted by any credit union whose charter authorizes such membership.

(6) Equality of Benefits. Although only one credit union is permitted to function on a Department of the Navy installation, where more than one credit union already exists, each is entitled to the benefits defined in this instruction as if it were located on a separate installation.

(7) Automated Teller Machine (ATM) Service

(a) General. ATMs may be used to augment services provided by an onbase credit union.

(b) Requirements. An onbase credit union that proposes to augment its service by installing one or more ATMs

SECNAVINST 5381.5A

05 JUN 1990

shall take action as indicated for banking offices in paragraph 5a(4)(b). Multiple access ATMs must be limited to use by other credit unions only unless written concurrence is provided by other onbase financial institutions.

(c) Leases. The provisions of paragraph 5a(4)(c) apply to the requirement for leases.

(d) Remote Locations. Onbase credit unions proposing to install an ATM at a location on the installation that is remote from the existing credit union office shall comply with paragraphs 5a(4)(d) and 7a(7)(b), except that approval by the Assistant Comptroller, Financial Management Systems is not required. The installation commander will approve or disapprove the proposal, and advise NAFC-44 of the decision.

R)

b. Logistic and Other Support

(1) Membership Criterion

(a) Per Section 124 of the Federal Credit Union Act, the provision of no-cost office space and other real property is limited to onbase credit unions with at least 95 percent of their membership composed of current or former military and Federal civilian personnel and their families. This percentage criterion applies to the total credit union membership, not just to members who use the onbase office.

(b) Before renewal of each no-cost lease or license, the credit union shall provide a written certification, prepared on credit union letterhead and signed either by its president or general manager, that the credit union continues to meet the 95 percent criterion. A certification also is required whenever there is a merger, takeover or significant change in a field of membership. This certification shall serve as justification and documentation for the continued allocation of free Government space, including space renovated or constructed with credit union funds. The certification will be provided to the installation commander.

(2) Criteria for Use of Space in Government-Owned Buildings

(a) A credit union may be provided space on a DOD installation at one or more locations by no-cost permits or licenses for periods not to exceed five years, as prescribed in reference (h).

D)

05 JUN 1990

(b) A credit union that fails to meet the 95 percent criterion shall be charged fair market rent for space provided. No credit union whose field of membership excludes any DOD personnel assigned on the installation shall receive free Government space. This latter limitation is waived in cases when an installation is served by more than one credit union.

(c) All space assigned by the GSA, whether leased or in Federal office buildings, is reimbursable to the GSA at the standard level user charge under P.L. 92-313. Consequently, the GSA shall charge the benefiting installation for any space assigned for credit union operations. Such space is then subject to the provisions of paragraphs 7b(2)(a) and (b).

(d) When a credit union uses its own funds to expand, modify, or renovate Government-owned space, a no-cost permit or license may be provided for a period not to exceed 25 years. Duration of the permit or license shall be commensurate with the extent of the improvements as determined by the installation commander. It shall be effective until the agreed date of expiration or until the credit union ceases to satisfy the 95 percent criterion. In this latter case, the no-cost permit shall be cancelled in favor of a lease immediately negotiated at fair market value under the provisions of paragraph 7b(2)(b). If the credit union desires, this lease at fair market value may extend through the period identified in the original license, or 5 years, whichever is greater.

(e) Similarly, a credit union not meeting the 95 percent criterion that uses its own funds to expand, modify, or renovate government owned space, may be provided a lease at the fair market value for a period not to exceed 25 years. Duration of this lease shall be commensurate with the extent of the improvements as determined by NAVFAC.

(3) Other Base Support

(a) When available, janitorial services, utilities (such as air-conditioning, heat, and light), fixtures, and maintenance shall be furnished at no cost to a credit union occupying free space in a government building. The credit union shall pay for other services, such as telephone lines, long-distance toll calls and space alterations. Should a credit union fail to meet the 95 percent membership criterion, any logistic support furnished shall be on a reimbursable basis.

SECNAVINST 5381.5A

80 OCT 1990

(b) Assuming proper funds are available, the credit union meets the 95 percent membership criterion and, the commanding officer determines that an ATM is necessary and will contribute to the effective accomplishment of the mission (see Comptroller General Decision 66 COMPGEN 356, 1987) the command may provide the machine either without cost or on a reimbursable basis.

(4) Equipment. When available from local stock, typewriters, adding machines, other office equipment and office furniture may be leased to an onbase credit union at nominal cost under authority of 10 U.S.C. 2667.

(5) Locator and Debt Collection Service. Locator and debt collection services will be provided to Defense credit unions on the same basis as for banking offices as prescribed by paragraph 5b(5).

(6) Construction of Building. Proposals by credit union officials for construction of structures on Navy and Marine Corps installations at credit union expense must receive prior approval of the Chief of Naval Operations or the Commandant of the Marine Corps, and the Assistant Comptroller, Financial Management Systems. Information in the proposal must include number of credit union members, transactions per day, value of credit union assets, accounting method used (machine or manual) and number of credit union employees. The following provisions are emphasized:

(a) Proposals for construction of credit union buildings on Navy and Marine Corps installations must contain adequate justification of why it is not feasible to construct such buildings offbase. Offbase construction is encouraged in all cases so that the credit union can recoup in case of installation closure.

(b) The building must be confined to the needs of the credit union. It may not be used to house other activities.

(c) Credit unions submitting such plans for consideration must also agree to be financially responsible for and to reimburse the Department of the Navy for any maintenance, utilities, and other services furnished.

R) (d) Land required for approved construction at credit union expense shall be made available at nominal rental, i.e., \$1.00 per year. The lease shall be granted per policy contained

30 OCT 1990

in reference (h). Leases shall include the provision that, at the option of the Government, structures and other improvements erected thereon shall be conveyed to the Government without reimbursement or shall be removed and the land restored to its original condition in the event of installation inactivation, closing, or other disposal action; liquidation of the credit union; or termination of the credit union lease.

(R)

(e) When a credit union participates in the construction of a complex, such as an installation shopping mall, it shall be provided a lease at nominal rental, i.e., \$1.00 per year.

(R)

(f) Subject to the Secretarial determination required by 10 U.S.C. 2667, the terms of an existing real estate lease may be extended, prior to the expiration of the lease. In consideration for this extension, the credit union shall agree to continue maintaining the premises and paying for utilities and services furnished.

(D)

(g) When, under the terms of a lease, title to improvements passes to the Government, and the credit union expresses an interest in continued occupancy, arrangements shall be made by lease for such occupancy. The lease shall require the credit union to (1) maintain the premises and pay for utilities and services furnished, and (2) pay fair market rental value for land underlying the improvements for a credit union not meeting the 95 percent criterion.

(R)

(7) Leases of Government Land

(a) Terms of Lease. The provisions of paragraph 5b (4)(a) and (b) apply to leases by credit unions.

(b) Extension. An existing lease of land may be extended prior to expiration of its term. Passage of title to facilities will be deferred until all extensions have expired. Such extensions shall be for periods not to exceed five years. An extension of any existing lease may provide for a nominal rental, i.e., \$1.00 for the term of the lease extension.

(R)

(c) Continued Occupancy After Passage of Title. When, under terms of a lease or extension, title to facilities passes to the Government, the credit union shall be given first choice to continue occupying such facilities under a facility lease. Such leases shall require the credit union to maintain

05 JUN 1990

the premises and reimburse the Government for utilities and services furnished. In addition, leases for credit unions no longer qualifying under the 95 percent rule shall require lessees to pay fair market rental for the excess land underlying the improvements to the facility.

c. Operations

(1) Agreement and Relations

(a) The installation commander and the credit union manager have a mutual responsibility to build a viable relationship, one in which effective communications are maintained and problems anticipated and resolved as smoothly as possible.

(b) Operating agreements shall be executed between the installation commander and the onsite credit union. Such agreements shall be confined to basic relationships and mutual support activities, such as hours of operation and security provided, and may not involve internal operations of the credit union. The agreements shall conform to the guidelines set forth in this enclosure.

(c) Credit unions operating on military installations shall agree to (1) keep the installation commander advised of credit union operations; (2) furnish the commander a copy of its monthly financial report and other local credit union publications; (3) invite command representatives to attend annual meetings and other appropriate functions; (4) maintain physical security of cash and negotiable items in a manner consistent with the requirements of the credit union's fidelity insurer. A copy of these requirements shall be provided to the installation commander upon request.

(d) The operating agreement must also contain the provisions contained in paragraphs 5c(1)(b)-(f). In addition it must provide that neither the Department of the Navy nor its representatives shall be responsible for any expense, loss (including criminal losses) or claim for damages arising from credit union operations.

(e) DOD personnel who fail to meet their financial obligations in a proper and timely manner damage their credit reputation and the public image of all DOD personnel. Commanders shall provide debt processing assistance to credit unions as limited by the Privacy Act guidelines in Appendix A. Unless otherwise prohibited, credit unions may bring delinquent loans or dishonored checks to the attention of a commanding officer, or

his or her designee, for such assistance. Military financial counselors or legal advisors shall recommend a workable plan for repayment to avoid endangering the member's credit standing and career. Counselors shall ensure that members are aware of the stigma associated with bankruptcy and shall recommend its use only as a last resort when no alternative is available to alleviate the individual's financial situation.

(2) Liaison. When a credit union office is located on an installation, the installation commander shall appoint a member of the command to serve as the credit union liaison officer. The credit union liaison officer's name and duty telephone number shall be displayed conspicuously in the lobby of each credit union office located on the installation. This officer shall be responsible for maintaining contact with the credit union manager to confer or assist in the resolution of member complaints and to discuss or recommend improvements in the quality or quantity, or both, of credit union services provided to members. The liaison officer may not become involved with the internal operations of the credit union. No one on the board of directors serving the credit union in another official capacity may serve as the credit union liaison officer.

(3) Restriction on Government Personnel. Installation commanders will not serve on the Board of Directors or the supervisory committee of an on site credit union. Paragraph 5c(3)(a) applies to restrictions involving the employment by active duty and civilian personnel by credit unions.

(4) Services

(a) Counseling. Counseling service shall be made available to all credit union members without charge and with the same emphasis as indicated in paragraph 5c(4)(b).

(b) Lending. Following accepted credit union practice, lending policies shall be as liberal as possible and still be consistent with the interest of the overall credit union membership and the individual member. Credit unions must strive to provide the best possible service to all of their members. The provisions of paragraph 5c(4)(c) are applicable to matters involving discrimination and Standards of Fairness.

(5) Staffing

(a) Full services shall be provided by onsite credit unions staffed by (1) a loan officer authorized to act for the credit committee; (2) an individual authorized to sign checks;

SECNAVINST 5381.5A

05 JUN 1993

and (3) a trained and qualified financial counselor available to the membership during operating hours. Exceptions to this requirement may be approved by the Assistant Comptroller, Financial Management Systems in the case of newly organized credit unions.

(b) When an onsite credit union can support only minimum staffing, the counselor duties may be assumed by either of the other two officials.

(c) When an onsite credit union extends its services to one or more areas of the same installation and direct courier or message service is available to the main office, a one-person operation is authorized for the extended operation.

(d) All staffing shall be accomplished in full compliance with the spirit and intent of the equal employment opportunity policies and programs of the Department of the Navy in reference (i).

(6) Hours of Operation. Credit unions may conduct operations during normal duty hours, provided there is no undue interference with the performance of official duties. Credit unions are encouraged to establish operating hours that meet the needs of the military installation, membership, and credit union management. ATMs may be used to provide service and to expand operating hours.

(7) Share Insurance. Defense credit unions must provide share insurance at least equal to that required by the NCUA for federal credit unions. The insurance may be obtained through the NCUA, a state-sponsored insurance program, or a private insurance plan. A credit union not maintaining share insurance shall be suspended from operating on the installation.

(8) Allotments of Pay. Department of the Navy personnel may use the allotment of pay privileges as authorized to make allotments to the credit union of their choice to establish sound credit and savings practices. Paragraph 5c(9) applies to the date of credit, the relationship between allotments and loan approval, and the allotter's choice of continuing allotments.

(9) Advertising. The provisions of paragraph 5c(10) apply. Among the events permitted to be advertised in the daily bulletin or bulletin boards are membership meetings.

(10) Complaints Processing

(a) Discrimination. Installation commanders who suspect or receive complaints of discrimination first shall attempt to solve the problem by negotiation. Failing this, a request in writing for investigation shall be made to the regional director of the NCUA in the case of a federal credit union or to the state authority in the case of a state-chartered credit union. The request shall describe clearly the problem. These regulatory bodies shall attempt to resolve the situation. Information copies of all correspondence relating to the matter shall be sent through channels to NAFC-44. (R)

(b) Malpractice. Any evidence of suspected malpractice shall be reported in writing by the installation commander to the regional director of the NCUA in the case of a federal credit union or to the state regulatory agency in the case of a state-chartered credit union.

(c) Reporting. If action by the appropriate regulatory agency's local representative fails to solve the problem, a full report with recommendations shall be submitted through military channels to NAFC-44. Appropriate follow-up action with the NCUA or the state regulatory agency shall be accomplished by DC(MS). This report is exempt from reports control by SECNAVINST 5214.2B. (R)

d. Termination. An onbase credit union planning to terminate its operations should notify the installation commander at least 90 days before the closing date. This notification should precede public announcement of the planned closure. When appropriate, the commander shall attempt to negotiate an agreement permitting the credit union to continue operating until the installation has made other arrangements. Immediately upon notification of a closing, the commander shall advise NAFC-44. If it is determined that continuation of credit union services is justified, action to establish another credit union shall comply with paragraph 7a. (R)

(1) Termination for Cause. If, after discussion with credit union officials, the installation commander determines that the operating policies of the credit union are inconsistent with this instruction, a recommendation for termination of logistic support and space arrangements may be made through command channels to NAFC-44. A credit union shall be removed from the installation only with the approval by the Assistant Comptroller, Financial Management Systems, after coordination with the DC(MS) and the appropriate regulatory agency. (R)

05 JUN 1990

(2) Termination in Interest of National Defense. At the option of the Government, leases may be terminated in the event of national emergency or as a result of installation inactivation, closing or other disposal action.

8. Overseas Credit Unions

a. Establishment

(1) General. The extension of credit union services overseas is encouraged consistent with the principles established for domestic credit unions and with pertinent Status of Forces Agreements and local laws. NAFC-44 shall be notified through channels when a local commander determines that there is a need for credit union services overseas. The commander shall contact the Servicing Defense Credit Union and request that a branch or facility be established. The basic decision concerning whether a credit union will extend its services to overseas areas rest with the credit union. If a field of membership has not previously been granted by NCUA to encompass a DoD designated geographic franchise, NAFC-44 shall canvas federally-chartered Defense Credit Unions for proposals to service the solicited region.

R) (2) Requests. In addition to the requirements stated in paragraph 7a above, installation commanders shall provide the following information in support of requests to NAFC-44 for overseas credit union service:

(a) In countries not presently served, a statement concurred in by the Unified Commander that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host country will permit the operation, with any conditions imposed by the host country identified.

(b) The name and location of the nearest credit union branch or facility.

(c) The distance between the installation and the nearest credit union branch or facility and the availability of any official or public transportation.

(d) The number of DOD personnel in duty assignments that confine them to the installation, or who cannot obtain transportation (such as hospital patients).

(e) As much information as possible concerning the availability of operating space and the availability and conditions of logistical support as a basis for decision by credit union management.

05 JUN 1990

(3) Recommendation. NAFC-44 shall review proposals received from Federal Defense Credit Unions. Preference shall be given to proposals for full-service credit union operations. After coordination with the DC(MS), NAFC-44 shall recommend designation of the selected credit union to the NCUA. A proposed amendment to the federally-chartered credit unions charter must be submitted to the NCUA for approval of service to new groups for geographic areas. Recommendations to the NCUA shall include identification of the primary installation from which the proposed branch would operate and the geographical territory in which any additional branches, facilities, or mobile outlets would operate.

(R)

(4) Commitments. No commitment may be made to a credit union regarding its proposal until the NCUA announces its selection. NAFC-44 shall then notify the DC(MS) of NCUA approval and arrange for operations to begin.

(R)

b. Logistic and Other Support. In addition to the support provided in paragraph 7b, overseas credit unions shall receive the following services:

(1) Military postal service may be authorized per reference (j). For full service credit unions use of the free Intra-theater Delivery System (IDS) is authorized for all routine mail sent and received between Fleet Post Offices (FPOs) within a theater. To qualify, the credit union must certify to the appropriate postal official that all its full-time overseas offices provide "full service" or equivalence to full service.

(A)

(2) Access to voice and data telecommunication systems may be provided on a case-by-case reimbursable basis.

(R)

(3) Travel of credit union officials overseas shall be as set forth in reference (e). Invitational travel orders that authorize travel at no expense to the United States Government may be issued by the local commander for official onsite visits.

(4) For full service credit unions logistical support shall include steel bars, grillwork, security doors, a vault or safe, burglar alarm system, other security features normally used by credit unions, construction of teller cages, and other necessary modifications and alterations to existing buildings to facilitate cash operations.

(A)

c. Operations. Overseas credit union branch offices and facilities shall conduct business per paragraph 7c except as modified here.

05 JUN 1990

(1) An overseas credit union office shall be limited to onbase operations. It shall confine its field of membership to individuals or organizations who are eligible by law or regulation to receive services and benefits from the military installation and who are not precluded by intergovernmental agreement or host country law.

(2) Credit unions operating overseas shall have a prescribed territorial franchise. However, any credit union may continue to serve its members stationed overseas by direct mail.

(3) Proposals for any new service, such as share drafts, must be coordinated with the appropriate Unified Command and U.S. Chief of Mission or U.S. Embassy to make certain that they are not in conflict with Status of Force Agreements or local law.

(4) Credit unions may purchase foreign currency from the local military banking facility (MBF) at the bulk rate when used for vendor or payroll payments. If accommodation exchange service is provided to members, foreign currency may be purchased from the MBF at the accommodation rate. Sales to individuals must be at a rate of exchange that is no more favorable than that available from the MBF per reference (k).

(5) When Military Payment Certificates are prescribed for the area in which the overseas credit union is operating, they shall be used unless an exception is granted by the Assistant Comptroller, Financial Management Systems.

(6) Per NCUA rules and regulations, no credit union loans may be made for the purpose of purchasing real property or purchasing or erecting any type of residence in any country outside the United States, its territories and possessions, or the Commonwealth of Puerto Rico.

(7) The recommendations and direction of the NCUA through its rules, regulations, procedural forms, reports, and manuals shall apply directly to all overseas credit union branch offices and facilities.

(8) Funds shall be deposited and invested per the authority applicable to federal credit unions. Overseas credit union branch offices and facilities shall deposit funds per instructions issued by the NCUA giving full consideration to use of the services of MBFs whenever available.

(9) Operation of overseas credit union branch offices and facilities shall be reviewed by the NCUA during examination of the main credit union or as the NCUA determines necessary.

SECNAVINST 5381.5A

05 JUN 1990

d. Termination. Termination of overseas credit union services shall be governed by paragraph 7d.

05 JUN 1990

GUIDELINES FOR
APPLICATION OF THE PRIVACY ACT TO
FINANCIAL INSTITUTIONS ON DOD INSTALLATIONS

A. The following guidelines govern application of DOD Directive 5400.11 of 9 June 1982 (NOTAL) to those financial institutions that operate under this Directive.

1. Financial institutions and their branches and facilities operating on DOD military installations do not fall within the purview of 12 U.S.C. 1751 et seq.

a. These financial institutions do not fit the definition of "agency" to which the Privacy Act applies: "...any executive department, Military Department, Government corporation, Government-controlled corporation, or other establishment in the executive branch of the Government (including the Executive Office of the President), or an independent regulatory agency" (5 U.S.C. 552(e) and 552a(a)(1)).

b. Nor are they "Government contractors" within the meaning of 5 U.S.C. 552a(m) as they do not operate a system of records on behalf of an agency "...to accomplish an agency function." According to the Office of Management and Budget Privacy Act Guidelines, the provisions relating to Government contractors applies only to systems of records "...actually taking the place of a Federal system which, but for the contract, would have been performed by an agency and covered by the Privacy Act." Clearly, the subject institutions do not meet these criteria.

c. Since the Act does not apply to them, these financial institutions are not required to comply with the provision of 5 U.S.C. 552a(e)(3) in obtaining and making use of personal information in their relationships with personnel authorized to use such institutions. Thus, these institutions are not required to inform individuals from whom information is requested of the authority for its solicitation, the principal purpose for which it is intended to be used, the routine uses that may be made of it, or the effects of not providing the information. There also is no requirement to post information of this nature within onbase banking and credit union offices.

2. The financial institutions concerned hold the same position and relationship to their accountholders and members and to the Government as they did before enactment of the Privacy Act. Within their usual business relationships, they still are responsible for safeguarding the information provided by their accountholders or members and for obtaining only such information as is reasonable and necessary to conduct business. This includes credit information and proper identification, which may include social security number, as a precondition for the cashing of checks.

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Appendix A
to Enclosure (1)

05 JUN 1990

3. Financial institutions may incorporate the following conditions of disclosure of personal identification in all contracts, including loan agreements, account signature cards, certificates of deposit agreements, and any other agreements signed by their accountholders or members:

I hereby authorize the Department of Defense and its various Departments and Commands to verify my social security number or other identifier and disclose my home address to authorized (name of financial institution) officials so that they may contact me in connection with my business with (name of financial institution). All information furnished will be used solely in connection with my financial relationship with (name of financial institution).

When the financial institution presents such signed authorizations, the Military Commands or installations shall provide the appropriate information.

4. Even though the agreement described in subsection A3, above, has not been obtained, the Department of Defense may provide these financial institutions with salary information and, when pertinent, the length or type of civilian or military appointment, consistent with the Privacy Act and Freedom of Information Act, DOD Directives 5400.11 of 9 June 1982 and 5400.7 of 13 May 1988. Some examples of personal information pertaining to DOD personnel that can normally be released without creating an unwarranted invasion of personal privacy are name, rank, date of rank, salary, present and past duty assignments, future assignments that have been finalized, office phone number, source of commission, and promotion sequence number.

5. When DOD personnel with financial obligations are reassigned and fail to inform the financial institution of their whereabouts, they should be located by contacting the individual's last known commander or supervisor at the official position or duty station within that particular DOD Component. That commander or supervisor shall either furnish the individual's new official duty location address to the financial institution, or shall forward, through official channels, any correspondence received pertaining thereto to the individual's new commander or

Appendix A
to Enclosure (1)

05 JUN 1990

supervisor for appropriate assistance and response. Correspondence addressed to the individual concerned at his or her last official place of business or duty station shall be forwarded as provided by postal regulations to the new location, but the individual may choose not to respond. However, once an individual's affiliation with the Department of Defense is terminated through separation or retirement, the locator assistance the Department may render in the disclosure of home address is severely curtailed unless the public interest dictates disclosure of the last known home address. The Department of Defense may, at its discretion, forward correspondence to the individual's last known home address. The individual may choose not to respond; and the Department may not act as an intermediary for private matters concerning former DOD personnel who are no longer affiliated with it.

B. Questions concerning this guidance should be forwarded through channels to the Director, Cash Management and Financing Division (NAFC-44), Comptroller of the Navy, Washington, DC 20350.